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## **An Introduction to "From Investment Screening to Investment Development: The Impact of Canada's Foreign Investment Review Agency (FIRA) and Investment Canada in Canada's Technological Development"**

*by Sydney G. Harris\**

**I** have been asked to present to you a paper prepared by Gordon Dewhirst, Vice President of Investment Canada, and Michael Rudiak, Investment Research and Policy Division of Investment Canada, who cannot be with us this evening. Before I get to the paper itself, I would like to give you a little background to set the context in which this subject should be viewed.

Canada is a nation heavily dependent on international trade. In fact, except for a couple of tiny oil exporting nations, Canada depends more on export trade than any other country, with just over 30% of Canada's GNP entering into export trade. What is more, 78% of Canadian exports in 1985 came into the United States market.

While traditionally Canada's exports tended to run heavily in mineral and forestry resources, crude grains and agricultural products, we have of recent years moved to a situation where processed and fully manufactured goods make up three quarters of our exports. To illustrate that point, our largest export group to the U.S. is automobiles and parts.

On the other side of the ledger, Canada is also the United States' largest export market, taking about 20% of total U.S. exports. That is nearly twice what the U.S. exports to Japan, and more than the U.S. sold to the ten countries of the European Common Market last year. Moreover, while we take one-fifth of the total exports of the U.S., we take one-third of its fully manufactured goods, making Canada the best quality and largest market for the U.S. I make this point to emphasize the importance of the technological content of U.S. exports to Canada, which is the subject of our conference this weekend.

It is a most important aspect to keep in mind in our deliberations. Given the high quality and the large volume of manufactured products which cross the Canada/U.S. border, we in Canada have a great interest in new technological developments: new investments in high-tech industries and the level of research and development which industries and subsidiary companies undertake in Canada.

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\* Due to illness, Mr. Gordon Dewhirst was unable to attend the Conference. Mr. Dewhirst's paper was delivered by Mr. Sydney G. Harris, Canadian Consul General (Cleveland).

There has been, in recent years, a trend away from the “branch plant” philosophy of fifteen to twenty years ago towards a greater degree of product rationalization in an increasingly interdependent world trading environment. Where, formerly, branch plants tended to do assembly only with a minimum of manufacture, leaving the fundamental research and development function at home with the parent company, they now tend to give world product mandates and a greater degree of independence to foreign branch plants, including research, development, manufacture and marketing. In an environment of increasing product sophistication, and shorter product life-cycle, a turn to more economical market penetration through joint venture and licensing agreements is a notable trend. This is increasingly replacing the old branch plant with its limited scope of operation. This again points out the relevance of the subject of this conference to technology transfer between countries.